

# City and County of San Francisco

Office of the Controller - City Services Auditor

AIRPORT  
= Airport Commission

## AIRPORT COMMISSION:

Concession Audit of  
Air China

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CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER  
FINANCIAL AUDITS DIVISION

Ed Harrington  
Controller

Monique Zmuda  
Deputy Controller

March 21, 2006

Audit Number 05033

San Francisco Airport Commission  
P.O. Box 8097  
San Francisco International Airport  
San Francisco, CA 94128-8097

President and Members:

The Office of the Controller presents its report concerning the audit of Air China. Air China has a lease and use agreement with the Airport Commission of the City and County of San Francisco to use the landing facilities at the San Francisco International Airport for its air transportation business.

**Reporting Period:** July 1, 2002, through June 30, 2005

**Fees Paid:** \$1,658,646

Air China correctly reported 712 revenue aircraft landings and correctly paid its landing fees.

Respectfully submitted,

Noriaki Hirasuna  
Director



# INTRODUCTION

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## BACKGROUND

Air China has a lease and operating agreement with the Airport Commission (commission) of the City and County of San Francisco to use the landing facilities at the San Francisco International Airport (SFO) for Air China's air transportation business. Air China entered into this 11-year agreement on March 20, 2000. The agreement requires Air China to submit to the Airport Department (Airport) a monthly report showing Air China's actual revenue aircraft landings by type of aircraft and other landing data necessary to calculate the landing fees.

The Airport charges Air China a landing fee based on the maximum landing weight of aircraft making revenue landings at SFO. For every 1,000 pounds of aircraft landed, the commission sets a fee that it may change annually. For the period we reviewed, the commission set a fee of \$3.986 for fiscal year 2002-03, \$3.930 for fiscal year 2003-04, and \$3.214 for fiscal year 2004-05.

## SCOPE AND METHODOLOGY

The purpose of our audit was to determine if Air China complied from July 2002 through June 2005 with the reporting and payment provisions of its agreement with the commission.

To conduct the audit, we reviewed the applicable terms of the agreement and the adequacy of Air China's procedures for recording, summarizing, and reporting revenue aircraft landings. We tested on a sample basis whether Air China accurately reported its revenue aircraft landings and the maximum landing weights of aircraft landed at SFO. We also determined whether Air China has any outstanding payments due to the Airport for the audit period.



# AUDIT RESULTS

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## AIR CHINA CORRECTLY REPORTED ITS AIRCRAFT LANDINGS AND CORRECTLY PAID ITS LANDING FEES

From July 1, 2002, through June 30, 2005, Air China correctly reported 712 revenue aircraft landings and correctly paid \$1,658,646 in landing fees to the Airport. The table below shows Air China's reported total revenue aircraft landings and landing fees paid to the Airport.

**TABLE**

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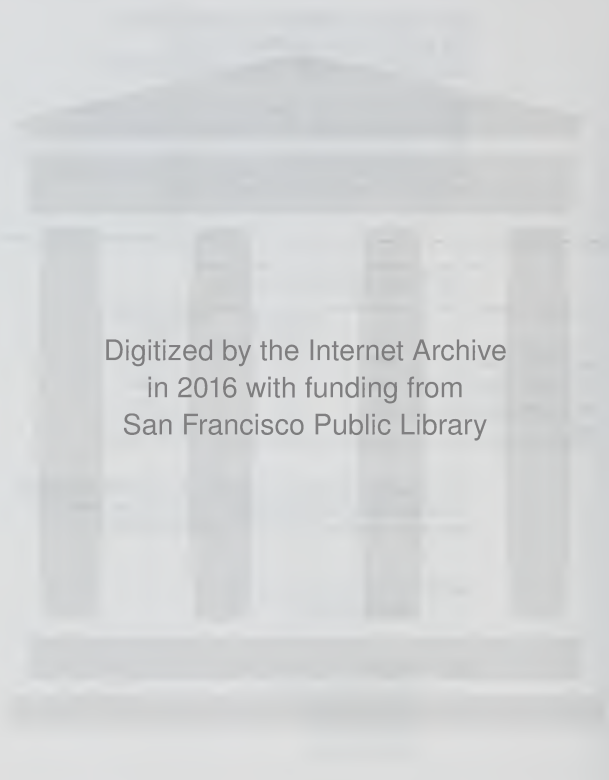
**Revenue Aircraft Landings and Fees Paid  
July 1, 2002, Through June 30, 2005**

	<b>Number of Landings</b>	<b>Landing Fees Paid</b>
July 1, 2002, through June 30, 2003	218	\$547,429
July 1, 2003, through June 30, 2004	246	609,063
July 1, 2004, through June 30, 2005	248	502,154
<b>Total</b>	<b>712</b>	<b>\$1,658,646</b>

We conducted this review according to the standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the audit scope section of this report.

Staff: Ben Carlick, Audit Manager  
Houman Boussina

cc: Mayor  
Board of Supervisors  
Civil Grand Jury  
Budget Analyst  
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